A STUDY ON FINANCIAL PERFORMANCE OF DISTRICT CENTRAL CO–OPERATIVE BANK, CUDDALORE

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ABSTRACT

The study is based on the primary and secondary data. The secondary data was collected from the profiles, books, magazines, and web sites and the primary data was collected. Primary data was collected through annual report of Cuddalore District Central Cooperative Bank Limited. The collected data was edited, coded, classified and tabulated and further analyzed using the various financial tools like percentage, ratio analysis and correlation analysis. The researcher found and suggested few ideas to the Cuddalore District Central Cooperative Bank; like, the bankers can give financial advice to the borrowers to improve their performance, check the member's proposal whether it is correct or not before sanctioning the loan, and so on. Finance holds the key to all business activities. Finance is regarded as the life-blood of a business enterprise. This is because, in the modern money oriented economy, finance is one of the basic formations of all kinds of economic activities. It is the master key which provides access to all sources for being employed in manufacturing and merchandising business activities.

INTRODUCTION

Business finance is a term that encompasses a wide range of activities and disciplines revolving around the management of money and other valuable assets.

It is the functional filed of business administration. The term finance usually deals with financial planning, acquisition and allocation of funds and financial controls.

1.1 Financial Performance

A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. are discussed here. This term is also used as general measure of a firm, overall financial health over a given period of time, and effective ways to compare industries or sectors in aggregation.

1.2 Objectives of the Study

- To study the overall financial position of the bank.
- To identify the financial strength and weakness of the bank.
- To evaluate the liquidity and profitability of the firm.
- To analyze the operating efficiency and the financial soundness of the bank.
- To offer suggestions to improve the financial performance of the bank

1.3 Scope of the Study

- This study is conducted in the Cuddalore District Central Cooperative Bank Limited, Head Office, Cuddalore.
- The analysis concentrates on the general performance of Cuddalore District Central Cooperative Bank.
- It helps to meet routine cash requirement to finance the transaction.
- It reveals the liquidity position of the firm by highlighting the various sources of cash and its uses.
- This study further compares the financial statement to get to know the relative financial positions of the bank.

1.4 Review of Literature

In 1914, the Mclagan Committee was appointed to examine the co-operative movement and to make recommendations regarding the progress of the movement. It recommended the establishment of a State Co-operative Apex Bank. On the basis of the recommendation, a Central Co-operative Bank was established in Bombay.

It may be made clear, at the very outset, that under the Banking Regulation Act, 1949, only Urban Co-operative Banks, State Co-operative Banks **(StCBs)** and District Central Co-operative Banks **(CCBs)** are qualified to be called as Banks in the co-operative sector. Other credit co-operatives, namely, Primary Agricultural Credit Societies **(PACS),** State Co-operative Agriculture and Rural Development Banks **(SCARDBS)** and Primary Co-operative Agriculture and Rural Development Banks **(PCARDNBS)** are said to be commercial banking sector.

The Co-operative Banking System in India is characterized by a relatively comprehensive network extending to the grassroots level. What distinguishes the co-operative banking sector from the commercial banking sector is the focus of the former on the local population and micro-banking among middle and low income strata of the society.

As compared to nearly 300 scheduled commercial banks, inclusive of regional rural banks, there were more than 2000 primary co-operative banks in the urban co-operative sector and more than 90,000 Primary agricultural credit societies in the rural sector as at the end of 2002.

- **Samuel H.Basker** (1973) utilized a simultaneous equation approach and found that leverage is measured inversely by the ratio of equity to assets and had the theoretically correct negative sign which was significant as well. Also, he found that the predictability of output changes on total cost. Hence profit fluctuation may separately influence financial leverage decision in expected ways, although their effects are not significant at ordinary test level.
- **Rae and Thomas** examined the impact of SLR on bank's loaning activities, incomes and profitability, using the data relevant to the changes in SLR.
- Given the dual of the instrument, it affects the profitability of commercial banks on one hand and facilitates financing of the government on the other. Using the data relevant to the changes in SLR.
- **Angadi** had made a study on efficiency in banking industry considering the responsiveness of operating costs to the proportionate changes in outputs as measured in terms of the size of deposits, the size of credit and in other dimensions. He has identified that the principal reason for the growing operating costs is to increase in establishment and in other working expenses especially during the recent past.
- **Tiwari** considering different groups of banks., he identifies paradoxical objectives set before the Indian banking industry and that erosion of profitability of commercial banks is found inherent in these objectives. The stipulation of priority sector credit at forty percent is much against the// very// viability as the SLR ratio are found, on the other hand, forcing the banks to borrow from the market at higher rates.

RESEARCH METHODOLOGY

2.1 Nature and Source of Data

     Primary data: Primary data is the first hand information that is collected during the period of research. Primary data has been collected through annual report published by the co-operative bank.

     Secondary data: The data which have already been collected and analyzed by someone else is called secondary data. In this study, secondary data was collected from the profiles, books, magazines, and web sites.

     Sampling: Sampling is that part of statistical practice concerned with the selection of a subset of individual observations within the population of individuals intended to yield some knowledge about the population of concern, especially for the purpose s of making predictions based on statistical inference

The entire sample period was confined to 2006-2011.

2.2 Statistical Tools Used

     The following statistical tools are used in the study

2.2.1 Mean

$$\bar{X} = \frac{\Sigma X}{N}$$

Standard Deviation

$$\sigma = \sqrt{\frac{\sum x^2}{N} - \overline{x}^2}$$

2.2.2 Correlation

The strength of the linear association between two variables is quantified by the **correlation coefficient**.

$$r = \frac{\sum xy - \frac{(\sum x)(\sum y)}{n}}{\sqrt{\left(\sum x^2 - \frac{(\sum x)^2}{n}\right)\left(\sum y^2 - \frac{(\sum y)^2}{n}\right)}}$$

ANALYSIS AND INTERPRETATION

- ➢ Current ratio
- ➢ Net Profit ratio
- ➢ Return on Asset ratio:
- ➢ Return on Equity ratio

Table – 1: *Current Ratio*   *(Rs. in lakhs)*

S.No	Year	Current Ratio
1	2005-2006	1.000
2	2006-2007	1.002
3	2007-2008	1.002
4	2008-2009	1.001
5	2009-2010	1.001
6	Mean	1.00
7	Standard Deviation	0.0489
8	Co-efficient of Variance	4.8989

Interpretation:

From the table, it indicates the highest current ratio value is 1.002 during the period of 2007 and 2008 and lower value is 1.000 during the year 2006.The current ratio of the mean value is 1.00 and standard deviation value of the current ratio is 0.0489.

Table – 2: *Net Profit As % to Total Income*

S.No	Year	Net Profit As % To Total Income
1	2005-2006	0.77 %
2	2006-2007	1.02 %
3	2007-2008	1.16 %
4	2008-2009	1.26 %
5	2009-2010	2.35 %
6	Mean	1.315
7	Standard Deviation	0.543
8	Co-efficient of Variance	0.412

Interpretation:

From the table, it indicates the highest value of net profit as percentage to total income is 2.35 during the year of 2010 and its lowest ratio value is 0.77 for the year 2006.The mean value of net profit as percentage to total income ratio is 1.315 and its standard deviation is 0.54311.

Table – 3: *Return on Equity*

S.No	Year	Return On Equity
1	2005-2006	22 %
2	2006-2007	9 %
3	2007-2008	8 %
4	2008-2009	9 %
5	2009-2010	15 %
6	Mean	1.322
7	Standard Deviation	0.526
8	Co-efficient of Variance	0.398

Interpretation:

From the table, it indicates the highest return on equity value is 1.534 during the year of 2010 and the lowest return on equity value is 0.829 for the year 2008.The mean value of return on equity is 1.322 and its co-efficient of variance is 0.39.

Table – 4: *Return on Asset*

S.No	Year	Return On Asset
1	2005-2006	0.07 %
2	2006-2007	0.08 %
3	2007-2008	0.08 %
4	2008-2009	0.11 %
5	2009-2010	0.19 %
6	Mean	0.116
7	Standard Deviation	0.0429
8	Co-efficient of Variance	0.3849

Interpretation:

From the table, it indicates the highest return on asset value is 0.1944 for the year of 2010 and the lowest return on asset value is 0.076 for the year 2006.The standard deviation of return on asset value is 0.0429 and its mean value of return on asset is 0.1116.

Table – 5: *Correlation Analysis*

The Return on Equity and Return on Equity

	Return on Asset	Return on Equity
2005-2006	2.261	0.0761
2006-2007	0.992	0.0832
2007-2008	0.829	0.0861

| 2008-2009 | 0.994 | 0.1182 |
| 2009-2010 | 1.534 | 0.1944 |

Solution:

S.No	Return on Asset(X)	Return on Equity(Y)	X2	Y2	XY
1	2.261	0.0761	5.112	0.0057	0.172
2	0.992	0.0832	0.984	0.0069	0.082
3	0.829	0.0861	0.687	0.0074	0.071
4	0.994	0.1182	0.988	0.0139	0.117
5	1.534	0.1944	2.353	0.0377	0.298
Total	**6.610**	**0.558**	**10.124**	**0.071**	**0.741**

$$r = \frac{\sum xy - \frac{(\sum x)(\sum y)}{n}}{\sqrt{\left(\sum x^2 - \frac{(\sum x)^2}{n}\right)\left(\sum y^2 - \frac{(\sum y)^2}{n}\right)}}$$

= 0.033

From the table, it indicates that there is a relationship between the return on assets and the return on equity because the correlation value is lesser than one.

FINDINGS FROM THE STUDY

➢ From the analysis the highest current ratio value is 1.002 during the year of 2007 and 2008 and the lowest current ratio is 1.00 for the year 2006.The mean value of current ratio is 1.00 and its co-efficient of variance is 4.8989.Thus, the co-operative bank maintains average current ratio position.

➢ From the analysis, the highest return on equity value is 1.534 during the year of 2010 and the lowest return on equity value is 0.829 for the year 2008.The mean value of return on equity is 1.322 and its co-efficient of variance is 0.39. Thus, the co-operative bank maintains average return on equity position.

➢ From the analysis, the highest return on asset value is 0.1944 for the year of 2010 and the lowest return on asset value is 0.076 for the year 2006.The standard deviation of return on asset value is 0.0429 and its mean value of return on asset is 0.1116

SUGGESTIONS

➢ The bank has to increase the issue of loan in order to increase the yield on advances.

➢ The bank has to improve the credit deposit ratio by increasing the issue of the deposit to the borrowers in order to receive the advances

➢ The bank has a favorable condition in capital adequacy and solvency state and the same is to be followed in the future

➢ The bank has a favorable condition in current assets and liabilities state and the same is to be followed in the future

CONCLUSION

Banks are very important to develop the society, particularly the agriculture sector which was developed through The Cooperative Banks only. So the researcher has done the research in the following topic to study on the financial performance of Cuddalore District Central Cooperative Bank Limited, Cuddalore. The study aims to develop the performance of the bank and some suggestions were also given by the researcher; like, the banker can give financial advice to borrower s to improve their performance, to check the member's proposal whether it is correct or not before sanctioning the loan.

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